



**RE: Support for S.B. 745**

March 17, 2021

Dear Chair Doucette, Chair Kasser, Ranking Member Delnicki, Ranking Member Berthel, Vice Chair Gucker, Vice Chair McCrory, and Members of the Joint Committee on Banking:

The Responsible Business Lending Coalition (RBLC) writes to express our strong support for S.B. 745. The RBLC is the leading national voice on small business financial protection issues, including small business Truth in Lending. We are a unique nonprofit/industry cross-sector coalition, including nonprofit community development lenders, fintechs, investors, and small business advocates, all drawn together to respond to the rise of irresponsible small business lending practices and promote responsible innovation.<sup>1</sup>

In 2018, the RBLC led the passage of the first Small Business Truth in Lending Law in the nation, California's SB 1235. Last year, we secured passage of the second such bill, New York's Small Business Truth in Lending Act on which S.B. 745 is largely based.

Both of these bills were inspired and informed by the RBLC's [Small Business Borrowers' Bill of Rights](#), the first cross-sector consensus on standards of responsible lending to small businesses. Over 100 small business lenders, brokers and lead generators, and advocacy organizations have endorsed these standards.

The Borrowers' Bill of Rights includes the Right to Transparent Pricing and Terms, which calls for small business financing providers to clearly disclose seven key elements to small businesses applying for credit:

1. Loan amount, and total amount provided after deducting fees or charges
2. Annual percentage rate (APR) or estimated APR

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<sup>1</sup> The Executive Committee of the Responsible Business Lending Coalition includes Accion Opportunity Fund, Community Investment Management, Funding Circle, LendingClub, Opportunity Finance Network, Small Business Majority, StreetShares, and the Aspen Institute.

3. Payment amount and frequency, including the actual or estimated total payment amount per month if payment frequency is other than monthly
4. Term or estimated term
5. All upfront and scheduled charges
6. Collateral requirements
7. Any prepayment charges

Disclosure of these seven key terms, particularly the APR or estimated APR, is critical to help small businesses compare different financing products and make informed decisions. APR is the only metric that enables apples-to-apples comparisons of products with different fees, interest, and term lengths over a common unit of time. Federal Reserve Research has found that small businesses are misled by commercial financing offers that exclude APR and present pricing in unfamiliar terms, often quoted as “rates” that are not actually interest rates.<sup>2</sup>

The RBLC supports S.B. 745 and its provisions requiring disclosure of the seven key terms by all commercial financing providers. In particular, we applaud the Committee’s inclusion of APR or estimated APR as a required disclosure metric, so that Connecticut small businesses can easily compare financing offers and select an affordable option that best meets the business’ needs.

We thank you for the opportunity to comment on this important legislation and urge the Joint Committee on Banking to advance it without delay. We are happy to serve as a resource as you proceed.

Sincerely,

The Responsible Business Lending Coalition

CC: Senator Anwar and Representative Turco

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<sup>2</sup> Federal Reserve Board of Governors, “Uncertain Terms: What Small Business Borrowers Find When Browsing Online Lender Websites,” 2019.  
<https://www.federalreserve.gov/publications/files/what-small-business-borrowers-find-when-browsing-online-lender-websites.pdf>